

## REMARKS

Claims 1 - 14 are in the application. Claims 1, 10, 12, and 14 are currently amended; claims 2, 3, 5, 6, 8, 9, and 13 remain unchanged from the original versions thereof; and claims 4, 7, and 11 were previously presented. Claims 1, 10, 12, and 14 are the independent claims herein.

No new matter has been added. Reconsideration and further examination are respectfully requested.

### **Claim Rejections – 35 USC § 103(a)**

Claims 1 - 9 and 12 - 14 were are rejected as being unpatentable over Statement of Financial Accounting Standards No. 133, accounting for derivative instruments and hedging activities by Edmund L. Jenkins (hereinafter Jenkins Nov, 1998. Vol. 186, Iss.5; 12 pages) in view of U.S. Patent No. 6,360,210 ("Wallman"). This rejection is traversed.

Applicant respectfully notes that claim 1 relates to a hedge accounting method implemented by a programmed computer system for reducing periodic earnings volatility associated with a hedging transaction. In particular, claim 1 is currently amended to state,

processing data and instructions on the computer to account for a financial exposure of an associated hedging instrument by designating for accounting purposes a portion of the value of the financial exposure as being hedged by the hedging instrument, the designated portion being based on a delta of the hedging instrument representing a price sensitivity of the financial exposure with respect to changes in market value of an underlying instrument; and

in each of a plurality of sequential periods, processing data on the computer to compute a re-designation for accounting purposes of the portion of the financial exposure being hedged by the hedging instrument based the delta of the hedging instrument changes in price sensitivity of the hedging instrument, to reduce periodic earnings volatility associated with a hedging transaction.

Claim 10 is worded similar to claim 1.

Applicant notes that claim 1 now clearly states that the designation is based on a delta of the hedging instrument representing a price sensitivity of the financial exposure, and the re-designation is also based on the delta of the hedging instrument.

Applicant respectfully submits that Jenkins does not disclose the claimed designation based on a delta of the hedging instrument representing a price sensitivity of the financial exposure, and the re-designation also based on the delta of the hedging instrument.

Further regarding the claimed re-designation, Applicant agrees with the Office Action's admittance that Jenkins fails to teach a re-designation for accounting purposes of the portion of the financial exposure. However, the Office Action's statement that Jenkins' disclosure of an initial and single designation of the portion of the financial exposure renders the re-designation of the portion of the financial exposure obvious is not seen as agreeable, logically based on Jenkins, or proper under 35 USC 103(a).

Applicant notes that Jenkins provides a financial accounting standard for distribution and guidance for accounting of derivatives. As such, Jenkins provides a detailed description of the accounting techniques and processes applicable to the subject financial instruments and transactions. In fact, Jenkins provides definitions for the terms used therein as well as numerous examples of the types of financial instruments and transactions covered by Jenkins (e.g., accounting classification for gains and losses for various types of hedges). Jenkins is, in effect, a complete document that is used by, for example, financial accounting entities for guidance in the accounting of derivatives. In an instance Jenkins were found insufficient, it may be periodically updated to capture a deficiency therein, as is the custom for accounting standards.

Applicant respectfully submits that the detailed disclosure of Jenkins and the admitted failure of Jenkins to disclose (or even suggest) a re-designation for accounting purposes the portion of the financial exposure are clearly contrary to the Office Action's

statement that the claimed re-designation is obvious in view of Jenkins. That is, the detailed accounting standard cited and relied upon does not disclose or even suggest a re-designation of the portion of the financial exposure. Jenkins merely discloses an initial, one-time designation.

Applicant further reiterates, as stated in the Specification, that the claimed method is provided to reduce earnings volatility that may result by following the explicit directives of Jenkins. That is, given the Jenkins disclosed guidelines an accounting entity may experience undesirable earnings volatility regarding hedge accounting. (See Specification page 6, line 22 – page 8, line 12) Consequently, Applicant realized, disclosed, and claimed in the pending claims to overcome an area of concern not addressed or contemplated by Jenkins.

Accordingly, Applicant respectfully submits that Jenkins does not disclose that for which it is cited and relied upon.

The Office Action cites and relies upon Wallman for only disclosing a computer for allegedly disclosing a processing data on the computer. That is, Wallman is not cited and relied upon for disclosing any aspects of the claimed subject matter other than a computer for processing data.

Applicant respectfully submits that the asserted combination of Jenkins and Wallman fails to overcome the insufficient disclosure of Jenkins. The combination of Jenkins and Wallman fails to render the claims 1 and 10 obvious under 35 USC 103(a) for at least the reasons discussed in detail above. Again, Jenkins fails to disclose or suggest that for which it is cited and relied upon for disclosing. Namely, Jenkins fails to disclose or suggest re-designating a portion of a hedging instrument to reduce periodic earnings volatility associated with a hedging transaction, as claimed by Applicant.


Claims 2 - 9 depend from claim 1. The Office Action rejected claims 12 - 14 on the same basis and rationale provided regarding claim 1. Accordingly, Applicant respectfully submits that claims 1 - 9 and 12 - 14 are patentable over the cited combination of Jenkins and Wallman under 35 USC 103(a).

## CONCLUSION

Accordingly, Applicants respectfully request allowance of the pending claims. If any issues remain, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is kindly invited to contact the undersigned via telephone at (203) 972-5985.

Respectfully submitted,

May 31, 2006  
Date

  
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